

# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

October 30, 2009

Mr. Michael Morgan, Secretary  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, WI 53703

Dear Secretary Morgan:

In a letter dated October 15, 2009, the Department of Administration (DOA), pursuant to s. 79.10(11)(b) Stats, provided the Joint Committee on Finance with an estimate of total funds available for distribution under the lottery and gaming credit for property taxes levied in 2009 (paid in 2010). The amount available for the lottery and gaming credit is estimated at \$115,263,200. The Committee is authorized to revise the DOA estimate and may do so at a meeting to take place before November 1, 2009. If the Committee chooses to accept the DOA estimate, no Committee action is required.

The Legislative Fiscal Bureau analysis of lottery sales and expenses and other gaming-related revenues is in agreement with the DOA estimate. The certified amount of \$115,263,200 would support an estimated average lottery and gaming credit of approximately \$75. For your information, the Fiscal Bureau memorandum relating to this analysis, dated October 20, 2009, is attached.

This letter is to notify you that the Committee will not meet to reestimate the amount available for the lottery and gaming credit; DOA may, therefore, notify the Department of Revenue that the amount available for distribution under the 2009(10) lottery and gaming credit is \$115,263,200.

Sincerely,

Handwritten signature of Mark Miller in cursive script.

MARK MILLER  
Senate Chair

MM:MP:jm  
Attachment

Handwritten signature of Mark Pocan in cursive script.

MARK POCAN  
Assembly Chair





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

October 20, 2009

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Estimate of Available Funds for the 2009(10) Lottery and Gaming Credit

On October 15, 2009, the Department of Administration (DOA), pursuant to s. 79.10(11)(b) of the statutes, provided the Joint Committee on Finance with an estimate of total funds available for distribution under the lottery and gaming credit for property taxes levied in 2009 (paid in 2010). The Department of Revenue (DOR) must be notified of the total amount available for distribution under the lottery and gaming credit by November 1, 2009. This estimate provides DOR with the basis for calculating the fair market value, termed the credit base, necessary to distribute the lottery and gaming credit. The credits are calculated by multiplying the credit base by school tax rates.

The DOA estimate on October 15, 2009, was that \$115,263,200 would be available for the 2009(10) lottery and gaming credit, based on reestimated 2009-10 lottery sales of \$479.4 million. The DOA letter and lottery fund condition for 2009-10 are attached.

The Committee is authorized to revise the DOA estimate and may do so at a meeting that takes place before November 1, 2009. If the Committee chooses to accept the DOA estimate, as submitted on October 15, 2009, no Committee action is required.

In 2009(10), with available proceeds of \$115,263,200, a tax credit averaging \$75 would be extended to eligible properties with values in excess of the credit base value based on an estimated, statewide average school tax rate. In 2008(09), the corresponding tax credit average was \$77.

In October, 2008, when DOA and the Committee certified the 2008(09) lottery and gaming credit amount, lottery sales for 2008-09 were estimated at \$484.8 million. Actual 2008-09 lottery sales totaled \$473.4 million. Under 2009 Wisconsin Act 28, lottery sales were estimated at \$487.2 million in 2009-10. In its October 15, 2009, letter to the Committee, DOA recommends modifying the 2009-10 sales estimate to \$479.4 million. This new sales estimate is \$7.7 million (1.6%) lower than the Act 28 2009-10 budgeted estimate of \$487.2 million and \$6.0 million (1.3%) higher than the actual 2008-09 sales level of \$473.4 million. This revised sales estimate was projected on the

basis of actual 2009-10 year-to-date sales data and lottery sales models utilized by DOR (which administers lottery operations) to estimate future ticket sales.

To summarize, the following table shows actual 2008-09 sales by game type and 2009-10 sales estimates made under Act 28 and under the revised DOA projection.

<u>Game Type</u>	<u>Actual 2008-09</u>	<u>Estimated Sales</u>	
		<u>Act 28 2009-10</u>	<u>Revised DOA Projection 2009-10</u>
Scratch	\$271,901,500	\$265,337,600	\$273,910,200
Pull-Tab	4,896,200	4,115,000	4,777,700
On-Line	<u>196,616,600</u>	<u>217,712,100</u>	<u>200,733,600</u>
Total	\$473,414,300	\$487,164,700	\$479,421,500

Actual lottery sales typically vary from estimates, particularly in the case of jackpot games like Powerball. Large Powerball jackpots, which occur randomly, can result in significant sales increases. Although difficult to project, jackpot-related fluctuations are factored into the DOR sales projection model. The current general economic situation also adds an element of uncertainty to lottery sales estimates. Based on year-to-date lottery sales in 2009-10 and an examination of the DOR sales projections for the remainder of the year, this office concludes that the sales estimate submitted by DOA in its letter dated October 15, 2009, is reasonable and that the estimate for the lottery and gaming credit is calculated correctly.

The certification of the lottery and gaming credit proceeds available for distribution in 2009(10) will require that this amount be paid to property owners. If 2009-10 lottery sales exceed the sales projection, the additional funds would be available for distribution as 2010(11) property tax credits. Similarly, if the projected sales that support the distribution amount are not realized, the effect would be to reduce the credit amount in the subsequent tax year. Also, if actual sales in the current year fall short of projections, the lottery fund includes a reserve (approximately \$9.6 million) that can be utilized for credit payments.

In summary, 2009-10 lottery sales of \$479.4 million would result in \$115,263,200 in lottery and gaming credits, as shown in the attached lottery fund condition statement. Unless the Committee meets to certify another number before November 1, 2009, the \$115,263,200 projection will be used by DOR to set the credit base for determining 2009(10) lottery and gaming credits.

Prepared by: Art Zimmerman  
Attachments

## ATTACHMENT

### 2009-10 Lottery Fund Condition Statement October, 2009

<b>Fiscal Year Opening Balance</b>	<b>\$8,799,600</b>
<b>Operating Revenues</b>	
Ticket Sales	\$479,421,500
Retailer Fees and Miscellaneous	<u>483,000</u>
Gross Revenues	<u>\$479,904,500</u>
<b>Expenditures</b>	
Prizes	\$281,894,500
Retailer Compensation	33,801,900
Vendor Payments	11,177,300
General Program Operations	21,679,400
Appropriation to DOJ	364,000
Appropriation to DOR	296,000
Banking Fees and Miscellaneous Expenses	25,800
Program Reserves	<u>165,900</u>
Total Expenditures	<u>\$349,404,800</u>
 Net Proceeds	 \$130,499,700
 Interest Earnings	 \$337,400
 Gaming-Related Revenue	 \$208,100
 Total Available for Tax Relief*	 \$139,844,800
<b>Appropriations for Tax Relief</b>	
Lottery and Gaming Credit	\$115,263,200
Farmland Tax Relief Credit	14,692,800
Late Lottery and Gaming Credit Applications	<u>290,700</u>
Total Appropriations for Tax Relief	<u>\$130,246,700</u>
 Gross Closing Balance	 \$9,598,100
 Reserve (2% of Gross Revenues)	 \$9,598,100
 Net Closing Balance	 \$0

\*Opening balance, net proceeds, interest earnings and gaming-related revenue.